Beneficiary Retirement Account FAQ

What is a beneficiary retirement account?

A beneficiary retirement account is a retirement account that transferred to a beneficiary (a person or entity named by the original owner) after the original owner passed away. It is also known as an inherited retirement account. The beneficiary makes certain choices regarding distributions of assets from the account.

What makes a beneficiary account different from a traditional Individual Retirement Account (IRA)?

There are several differences between a beneficiary IRA and a traditional IRA, and beneficiary IRAs are subject to rules and limitations that don’t apply to other IRAs. For example, in a beneficiary retirement account, money may only be withdrawn; contributions and 60-day rollovers are not allowed. However, the holder of an inherited IRA may begin withdrawals prior to turning 59½ without incurring a 10% penalty.

The rules governing beneficiary Roth IRAs are also different in some ways from those governing regular Roth IRAs. A regular Roth IRA, for instance, is not subject to Required Minimum Distributions (RMDs), but a beneficiary Roth IRA must take them.

There are other specific rules governing Qualified Retirement Plans. Beneficiaries who inherit most Qualified Plans are eligible to do a direct rollover to a beneficiary IRA.

Are there special rules for spouses?

Yes. If you were the spouse of the original account owner, special rules apply, and some of the information below may not be relevant to you. For example, surviving spouses can choose to treat the original owner’s IRA as their own IRA, which allows them to delay RMDs until they turn 70½. Non-spouses do not have that choice.

We encourage you to contact your tax advisor about the rules for your particular account. You can also contact the Internal Revenue Service (IRS), or find additional information on the IRS website, www.irs.gov. Beneficiary IRAs are discussed at length in IRS Publication 590-B.

Do I need to take Required Minimum Distributions (RMDs)?

There are different methods for determining whether or not you’ll need to take a beneficiary retirement account distribution, and they depend on which distribution method you chose when you opened your beneficiary account. Please remember that if you are required to take an RMD but don’t take it on time, you could face serious penalties (see below).
If the original account owner was under age 70½, you had two choices:

- **The Five-Year Rule:** If you chose this method, you may delay the distribution for up to five years. Assets of the account must be fully distributed within five years following the year of the original account owner’s death. For example, if the original owner died in 2015, you would have to fully distribute the plan by December 31, 2020. You are allowed to take distributions at any time before that, but you’re not required to – as long as the assets are fully distributed within the five years.

- **Life Expectancy Method:** If you chose this method, you will need to begin taking RMDs (with the amount based on your own life expectancy) in the year following the death of the original account owner and continuing annually. For example, if the owner passed away in 2015, you will need to begin taking distributions by **Friday, December 30, 2016**.

If the original account owner was age 70½ or older and had begun taking RMDs, your only choice would have been the **Life Expectancy Method**.

That means you will need to begin taking RMDs (with the amount based on your own life expectancy) in the year following the death of the original account owner and continuing annually. For example, if the owner passed away in 2015, you will need to begin taking distributions by **Friday, December 30, 2016**.

Regardless of which method you chose, you can always choose to take more than the minimum, or to take a lump sum of your full assets, as long as the required minimum is satisfied.

**How do I know which method I selected?**

If you don’t remember which method you selected, please contact your tax advisor for assistance.

**I have determined that I need to take a RMD. Now what do I do?**

Now you’ll need to calculate the amount.

Calculating your RMD amount can be complicated because it depends on a number of variables, including the deceased’s year of death and date of birth, and the account value at the end of the year prior to the death. Other factors, such as the type of beneficiary involved, can affect the calculations as well. For more information, please refer to IRS Bulletin 590-B, available on the IRS website, [www.irs.gov](http://www.irs.gov).

If you would like our help with the calculating, please let us know. Just call Client Services at 800-669-3900. Due to the complexity of the calculations and the various factors involved, however, we strongly recommend you consult with a tax advisor.

**I have calculated my RMD. How do I arrange my distribution?**

You have several choices for arranging your RMD:

**Make an internal transfer to a nonretirement account**

To arrange an internal transfer to a nonretirement account at TD Ameritrade, log in to your beneficiary Individual Retirement Account (IRA) and go to My Account > Deposits & Transfers > Cash Transfers. You may need to do a one-time setup of your nonretirement account as a saved account.
Taking your distribution this way will let you continue to take advantage of all our industry-leading tools and resources as you pursue the retirement you want.

If you don’t have a TD Ameritrade nonretirement account, you can open one using our Online Application.

Arrange an electronic withdrawal (ACH); set up a wire transfer (additional fees may apply); or make a check request

You can arrange these by logging in to your IRA and clicking My Account > Deposits & Transfers > Cash Transfers, or by sending us a Required Minimum Distribution Form. You can also get the form by logging in to your IRA and going to Client Services > Forms & Agreements, choosing “All” from the drop-down menu, and scrolling down to “Required Minimum Distribution.”

Write yourself a check

If you have check-writing capabilities in your account, you can write yourself a check. To sign up for check writing for future distributions, click My Account > Online Cash Services > Checks/Debit Card and follow the enrollment process.

Is there a deadline for taking my RMD? What happens if I don’t take it on time?

Yes, RMDs for 2016 must be taken by December 30. Not taking your RMD on time may have serious tax consequences. For instance, if you chose the Life Expectancy Method, Internal Revenue Service (IRS) rules provide that if you do not withdraw your 2016 distribution by Friday, December 30, 2016, the IRS may impose a 50% penalty on the required amount that was not distributed. Please contact your tax advisor for more information.

Where can I learn more?

You can find additional information on the IRS website, www.irs.gov. Beneficiary IRAs are discussed at length in IRS Publication 590-B. The information we’ve provided above is about beneficiary accounts in general. For information about your particular account, we urge you to consult with a tax-planning professional, since the rules governing beneficiary retirement accounts can be extremely complex.

Or reach out to us. Just log in to your account and go to Client Services > Message Center to write us, or call Client Services at 800-669-3900. We’re available 24 hours a day, seven days a week. Please remember, though, that TD Ameritrade will be happy to answer general questions, but we cannot provide tax advice.

1 You will first need to set up ACH instructions in your IRA. The initial set up for ACH services will take 4-5 days. ACH is not available in some retirement accounts, and not all financial institutions participate. You may be charged an ACH return fee if your bank rejects an electronic funding transfer. To set up ACH instructions, log into your account and go to My Account > Deposits & Transfers > Account/Bank Connections, then select “New connection” from the Electronic (Bank ACH) menu.

2 It may take as long as 10 business days for you to receive your checks.

TD Ameritrade understands the importance of protecting your privacy. From time to time we need to send you notifications like this one to inform you of important information regarding your account. Please note that if you’ve elected to opt out of receiving promotional marketing communications from us, containing news about new and valuable services, we will continue to honor your request.

TD Ameritrade does not provide tax advice. We suggest you consult with a tax-planning professional about your personal situation.